



Office of the Superintendent of
Financial Institutions Canada

Bureau du surintendant des
institutions financières Canada

Office of the Superintendent of Financial Institutions

2016-17

Report on Plans and Priorities

The Honourable William Francis Morneau, P.C., M.P.
Minister of Finance



Canada 

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Message from the Superintendent

I am pleased to share with you OSFI's *Report on Plans and Priorities* (RPP) for 2016/17. This is the first RPP prepared since we established our five orientations. We call these orientations our 'compass points', as they will provide our direction for the coming years. OSFI's compass points are: we are results-oriented, we are principles-based, we are risk-based, we take a balanced approach, and we set the benchmark for prudential regulation and supervision.



OSFI receives its authority from Parliament, and Parliament has been very clear about how we are to use this authority. Briefly stated, OSFI's legislative mandate is to protect the interests of depositors, policyholders, financial institution creditors and pension plan members, while allowing financial institutions to compete and take reasonable risks. Being **results-oriented** means focusing our actions exclusively on securing the results that we are mandated to achieve.

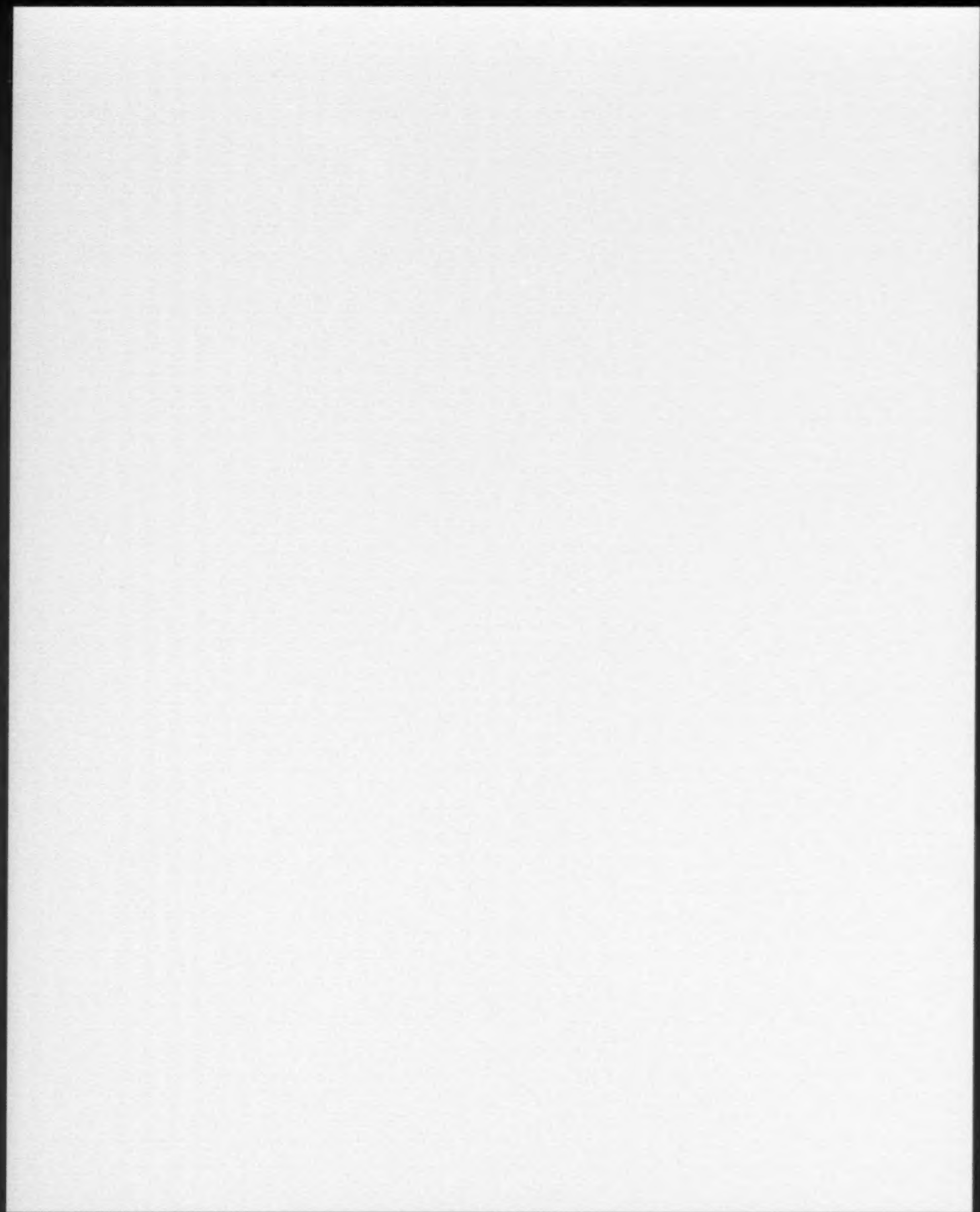
We are **principles-based**. We favour principles over rules, and we make deliberate choices about where and when to apply rules-based versus principles-based regulation and supervision. Prudential regulation and supervision are very well suited to a principles-based approach. Being principles-based makes the regulator and supervisor more effective by focusing its efforts on achieving real results in the financial system, rather than formal compliance with detailed rules. The principles-based approach is also advantageous for regulated institutions because it provides the flexibility to implement regulatory principles in line with their own particular circumstances, thereby reducing compliance costs and encouraging competition.

It is also important for OSFI to be **risk-based**. We have a limited amount of resources, so we need to identify what is most important and devote resources in those areas. We have to be concerned not only with risks that reliably manifest themselves year after year, but also the severe yet plausible risks that could impair safety, soundness and confidence in the financial system.

As noted above, our legislative mandate requires us to be mindful of the need to allow financial institutions to compete and take reasonable risks. It would be easy for OSFI to focus exclusively on the part of our mandate focused on safety and soundness, because that is the most visible part of what we do. But in so doing, we would neglect the part of our mandate focused on competition among institutions. That is why we have made **taking a balanced approach** one of our compass points.

OSFI will set the benchmark. In the year and a half that I have been Superintendent of Financial Institutions, I have seen that the conditions for effective prudential regulation and supervision in Canada are among the most favourable in the world. Therefore, there is no reason why OSFI should not be as effective, or more effective, than any other financial regulator and supervisor. To realize that potential, we need to set high standards for ourselves and ensure that we are meeting those standards.

I am confident that, guided by our compass points, we will continue to build on OSFI's strong record of success. The team at OSFI has the professionalism, knowledge and integrity to deliver on this year's plan, just as it has delivered in the past. Moreover, OSFI will continue to be supported by its strong working relationships with the other financial sector agencies of the Government of Canada: the Bank of Canada, the Canada Deposit Insurance Corporation, the Financial Consumer Agency of Canada and the Department of Finance Canada. I am grateful for the internal and external support provided by these parties.



Section I: Organizational Expenditure Overview

Organizational Profile

Appropriate Minister: William Francis Morneau

Superintendent: Jeremy Rudin

Ministerial portfolio: Finance

Enabling Instrument(s): *Office of the Superintendent of Financial Institutions Act* (OSFI Act)¹

Year of Incorporation / Commencement: 1987

Organizational Context

Raison d'être

The Office of the Superintendent of Financial Institutions (OSFI) was established in 1987 by an Act of Parliament: the *Office of the Superintendent of Financial Institutions Act*. It is an independent agency of the Government of Canada and reports to Parliament through the Minister of Finance.

OSFI supervises and regulates all banks in Canada and all federally incorporated or registered trust and loan companies, insurance companies, cooperative credit associations, fraternal benefit societies and private pension plans. OSFI's mandate does not include consumer-related issues or the securities industry.

The Office of the Chief Actuary, which is an independent unit within OSFI, provides actuarial valuation and advisory services for the Canada Pension Plan, the Old Age Security program, the Canada Student Loans and Employment Insurance Programs and other public sector pension and benefit plans.

Responsibilities

OSFI was created to contribute to public confidence in the Canadian financial system.

Under its legislation, OSFI's mandate is:

Fostering sound risk management and governance practices

OSFI advances a regulatory framework designed to control and manage risk.

Supervision and early intervention

OSFI supervises federally regulated financial institutions and pension plans to determine whether they are in sound financial condition and meeting regulatory and supervisory requirements.

OSFI promptly advises financial institutions and pension plans if there are material deficiencies, and takes corrective measures or requires that they be taken to expeditiously address the situation.

Environmental scanning linked to safety and soundness of financial institutions

OSFI monitors and evaluates system-wide or sectoral developments that may have a negative impact on the financial condition of federally regulated financial institutions.

Taking a balanced approach

OSFI acts to protect the rights and interests of depositors, policyholders, financial institution creditors and pension plan beneficiaries while having due regard for the need to allow financial institutions to compete effectively and take reasonable risks.

OSFI recognizes that management, boards of directors and pension plan administrators are ultimately responsible for risk decisions and that financial institutions can fail and pension plans can experience financial difficulties resulting in the loss of benefits.

In fulfilling its mandate, OSFI supports the government's objective of contributing to public confidence in the Canadian financial system.

The Office of the Chief Actuary is an independent unit within OSFI that provides a range of actuarial valuation and advisory services to the Government of Canada (see Program 2.1 on page 26 for further detail).

Strategic Outcomes and Program Alignment Architecture (PAA)

1. Strategic Outcome: A safe and sound Canadian financial system

1.1 Program: Regulation and Supervision of Federally Regulated Financial Institutions

1.1.1 Sub-Program: Risk Assessment and Intervention

1.1.2 Sub-Program: Regulation and Guidance

1.1.3 Sub-Program: Approvals and Precedents

1.2 Program: Regulation and Supervision of Federally Regulated Private Pension Plans

2. Strategic Outcome: A financially sound and sustainable Canadian public retirement income system

2.1 Program: Actuarial Valuation and Advisory Services

2.1.1 Sub-Program: Services to the Canada Pension Plan and Old Age Security Programs

2.1.2 Sub-Program: Services to Public Sector Pension and Insurance Programs

2.1.3 Sub-Program: Services to the Canada Student Loans and Employment Insurance Programs

Internal Services

Organizational Priorities¹

Priority A: Tighten the link between effort at OSFI and results in the field

Description

OSFI is results-oriented. To that end, it will continue to evolve and enhance its practices so that supervisory efforts lead reliably to the desired improvements in the safety and soundness of federally regulated financial institutions.

Priority Type²

Ongoing

Key Supporting Initiatives

Planned Initiatives	Start Date	End Date	Link to Department's Program Alignment Architecture
A1. Improve consistency of both the recommendations across the institutions and the implementation of those recommendations.	April 2015	March 2017	Sub-Programs 1.1.1
A2. Enhance OSFI's ability to assess how risk culture and other drivers of behaviour support or undermine effective risk management across a range of institutions.	April 2016	March 2018	Sub-Programs 1.1.1
A3. Complete a comprehensive review of OSFI's supervisory processes and implement the updated supervisory methodology and processes with effective and efficient enabling technology.	April 2016	March 2018	Sub-Programs 1.1.1 and 1.1.2
A4. Continue to strengthen OSFI's ability to turn internal organizational and system changes into planned results while minimizing disruption.	April 2015	March 2017	Internal Services

¹ For details on key supporting initiatives, see the Planning Highlights section under the relevant sub-program.

² Type is defined as follows: previously committed to—committed to in the first or second fiscal year prior to the subject year of the report; ongoing—committed to in least three fiscal years prior to the subject year of the report; and new—newly committed to in the reporting year of the RPP or the DPE. If another type that is specific to the department is introduced, an explanation of its meaning must be provided.

Priority B: Strengthen our ability to anticipate and respond to severe but plausible risks to the Canadian financial system

Description

OSFI is risk-based. To that end, it will emphasize the early identification of the risks stemming from the economy, financial system and other sources and will use that analysis to inform its proactive approach to regulation and supervision.

Priority Type

Ongoing

Key Supporting Initiatives

Planned Initiatives	Start Date	End Date	Link to Department's Program Alignment Architecture
21. Ensure OSFI's prudential expectations keep pace with growing vulnerabilities associated with rising household indebtedness.	December 2013	January 2017	Sub-Programs 1.1.1 and 1.1.2
22. Enhance OSFI's prudential guidance so that it will encourage financial institutions to go, not themselves to spend, through periods of stress.	April 2013	March 2017	Sub-Programs 1.1.1 and 1.1.2
23. Deepen OSFI's understanding of risk factors arising outside of OSFI's direct responsibilities (e.g. financial technologies, shadow banking, securities financing) and adjust OSFI's prudential expectations accordingly.	April 2013	March 2018	Sub-Program 1.1.1
24. Articulate OSFI's tolerance for risk and how the allocation of regulatory and supervisory resources will be guided by that tolerance.	August 2014	March 2017	Sub-Program 1.1.1

Priority C: Enhance our principle-based framework and expectations*Description*

ONR is principle-based. Principle-based guidance and supervision provide financial institutions and private pension plans with flexibility in meeting expectations in ways that are consistent with the complexity and size of those entities. This in turn contributes to effective prudential regulation while minimizing the costs to institutions and plans of complying with such expectations.

Priority Type

Now

Key Supporting Initiatives

Planned Initiative	Start Date	End Date	Link to Department's Program Alignment Architecture
(1) Review ONR's oversight requirements to ensure that prudential expectations and guidance are principle-based wherever possible and do not inadvertently encourage a rule-based approach to supervision.	April 2010	March 2012	Sub-Program 1.1.2

Priority D: Refine our international guidelines, standards and reforms with a view to implementing them in the context of what is best for Canada*Description*

ONR takes a balanced approach. A number of changes are being considered by international standard setting bodies. It is important that the final package of reforms continues to support global financial stability by promoting low-risk business models. The changes also need to work for Canada by being mindful of the importance of allowing financial institutions to compete and take reasonable risks.

Priority Type

Ongoing

Key Supporting Initiatives

Planned Initiative	Start Date	End Date	Link to Department's Program Alignment Architecture
(2) Actively participate in the development of international prudential and accounting standards and implement those standards in Canada as early as possible to ensure financial stability in Canada and allow growth of Canadian business models.	April 2010	March 2012	Sub-Program 1.1.2

D2. Enhance OSFI's ability to scale expectations to the size and complexity of the institutions.	April 2016	March 2019	Sub-Program 1.1.2
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Priority E: Set and meet high standards for managing our own resources

Description

OSFI will set the benchmark. To remain a world-leading prudential regulator and supervisor, OSFI must set high standards for itself, and verify that it is meeting those standards.

Priority Type

Ongoing

Key Supporting Initiatives

Planned Initiatives	Start Date	End Date	Link to Department's Program Alignment Architecture
E1. Actively support employees in becoming more effective through better training and improved career and talent management.	April 2016	March 2019	Internal Services
E2. Continue to build OSFI's information management capacity and further enhance regulatory data management while ensuring information is well protected from external and internal threats.	April 2016	March 2017	Internal Services
E3. Enhance OSFI's ability to redeploy resources in response to change while demonstrating fiscal discipline.	April 2016	March 2017	Internal Services

For more information on organizational priorities, see the Minister's mandate letter³ on the Prime Minister of Canada's website.⁴

³ Note that OSFI is an independent agency of the Government of Canada and reports to Parliament through the Minister of Finance. The Minister's mandate letter focuses on priorities within the Finance portfolio and does not directly link to OSFI's priorities.

Risk Analysis

In order to achieve its mandate and objectives, OSFI seeks to mitigate risks posed by economic, financial and other environmental factors that may affect the financial institutions (FI) and pension plans that OSFI oversees or OSFI itself. While many of these risks are continuously present, the extent to which they pose a threat to the interests of depositors, policyholders, pension plan members and other financial institution creditors or OSFI itself varies over time.

The past year has seen a continuation of several trends that present risks to federally regulated financial institutions and pension plans and to OSFI itself. Elevated household indebtedness in Canada, imbalances in some segments of the housing market, falling commodity prices and historically low interest rates, represent ongoing vulnerabilities for the financial system. In addition, exposure to evolving cyber security risk remains a concern for industry and OSFI. OSFI continues to oversee institutions in a way that supports their resilience against such trends and their potential fluctuations.

As OSFI operates within the broader Government of Canada (GoC) context, it continues to participate in shared services / harmonization initiatives. OSFI will continue to devote the appropriate resources to implement these initiatives in a way that contributes to its mandate.

Key Risks

Risk	Risk Response Strategy	Link to Program Alignment Architecture
FI Resilience to the Economy and Financial Sector Conditions: Some financial institutions may lack resilience to sustain stress stemming from the economic environment, in Canada and abroad. This risk is of concern given the ongoing vulnerabilities for the financial system.	OSFI will pursue its mitigation efforts to enhance FI resilience to the economy and financial sector conditions and to ensure that financial institutions remain prudent. These include: • Work with banks to enhance their own stress testing capabilities. • Conducting a full review of the life insurance capital framework. • Implementing a set of more risk-based mortgage capital requirements. Measure(s) that will be used to gauge the effectiveness of the above risk responses implemented in 2016-17 include: • Capital requirements are developed for life insurance companies that are seen as more risk sensitive and compatible with IFRS4. • Capital requirements are in place that cover all existing and potential new products offered by mortgage insurers.	Program 1.1: Regulation and Supervision of Program 1.1: Regulation and Supervision of Federally Regulated Financial Institutions

Risk	Risk Response Strategy	Link to Program Alignment Architecture
Government, Shared or Harmonization Initiatives: This relates to the risk that focus on the core mandate may be diluted as a result of Government, shared or harmonization initiatives. Given its small size, OSFI needs to monitor, plan for, and carefully manage the implementation of shared or harmonization initiatives to minimize business disruption and maintain the flexibility necessary to conduct business effectively.	OSFI will work proactively with central agencies in order to contribute to the government-wide efficiency agenda, all the while managing the impacts of shared or harmonization initiatives on its productivity. OSFI will devote additional efforts to: • Plan for, monitor and support the transition to new/updated corporate systems (including impacts from Government of Canada (GoC) shared services initiatives) and to revised Public Sector Accounting Standards (PSAS) which OSFI is required to adopt as its basis of accounting effective for the fiscal year commencing April 1, 2017. Measure(s) that will be used to gauge the effectiveness of the above risk responses implemented in 2016-17 include: • Results of the Employee Survey indicate improvements in areas related to change management. • Audited financial statements prepared under PSAS for the year ended March 31, 2018.	Program 1.1: <i>Regulation and Supervision of Federally Regulated Financial Institutions</i> Program 2.1: <i>Actuarial Valuation and Advisory Services</i>

Although the focus of this section is on external risks, OSFI continues to face a number of internal risks. For the 2016-17 planning period, OSFI will also focus on mitigating risks associated with its human resources, information management, and security.

Planned Expenditures

Budgetary Financial Resources (dollars)

2016-17 Main Estimates	2016-17 Planned Spending	2017-18 Planned Spending	2018-19 Planned Spending
149,703,956	149,703,956	150,507,678	152,878,124

The financial resources table above provides a summary of the total planned spending for OSFI for the next three fiscal years.

Human Resources (Full-Time Equivalents [FTEs])

2016-17	2017-18	2018-19
684	682	683

The human resources table above provides a summary of the total planned full-time equivalent resources for OSFI for the next three fiscal years.

Budgetary Planning Summary for Strategic Outcome(s) and Program(s) (dollars)

Strategic Outcomes, Programs and Internal Services	2013-14 Expenditures ⁴	2014-15 Expenditures ⁵	2015-16 Forecast Spending	2016-17 Main Estimates	2016-17 Planned Spending	2017-18 Planned Spending	2018-19 Planned Spending
Strategic Outcome 1: A safe and sound Canadian financial system.							
1.1 Regulation and Supervision of Federally Regulated Financial Institutions	75,599,505	79,674,770	76,419,954	80,602,151	80,602,151	82,220,312	83,956,072
1.2 Regulation and Supervision of Federally Regulated Private Pension Plans	4,342,314	3,944,690	4,013,984	4,178,274	4,178,274	4,259,335	4,344,190
Subtotal	79,941,819	83,619,460	80,433,938	84,780,425	84,780,425	86,479,647	88,300,262
Strategic Outcome 2: A financially sound and sustainable Canadian public retirement income system.							
2.1 Actuarial Valuation and Advisory Services	5,209,861	5,092,171	5,347,609	5,710,390	5,710,390	5,778,758	5,967,554
Subtotal	5,209,861	5,092,171	5,347,609	5,710,390	5,710,390	5,778,758	5,967,554
Internal Services Subtotal	65,650,453	57,597,243	61,133,338	59,213,141	59,213,141	58,249,273	58,610,308
Total	150,802,133	146,308,874	146,914,885	149,703,956	149,703,956	150,507,678	152,878,124

OSFI's total expenditures are expected to remain relatively stable over the planning horizon, increasing slightly for normal economic and merit adjustments in accordance with collective agreements. The fluctuations in the fiscal years prior to 2016-17 were largely due to non-recurring costs.

⁴ The majority of OSFI's expenditures are recovered via spendable revenue. In order to provide an accurate representation of OSFI's spending, amounts shown reflect gross expenditures.

⁵ Ibid.

At the program level, the significant variances are as follows:

- Spending in the *Regulation and Supervision of Federally Regulated Financial Institutions* program is forecasted to decrease by 4.1% in 2015-16 from 2014-15, largely due to a one-time payment related to the Government of Canada's (GoC) move to an employee compensation model of "pay in arrears" that occurred in 2014-15. In 2016-17, spending is planned to increase by 5.5% due to the full year impact in that year of vacant positions filled during 2015-16.
- Spending in the *Regulation and Supervision of Federally Regulated Private Pension Plans* program decreased by 9.2% in 2014-15 due to vacant positions and non-recurring legal fees incurred in 2013-14.
- Spending in the *Actuarial Valuation and Advisory Services* decreased by 2.3% in 2014-15 due to the triennial Canada Pension Plan peer review that occurred in 2013-14. Spending in 2015-16 and onward is expected to increase due to the staffing of approved vacant positions and new positions to address incremental work related to actuarial valuations. Expenditures in 2016-17 include costs for the triennial Canada Pension Plan review.
- Spending in Internal Services decreased by 12.3% in 2014-15 as a result of non-recurring costs in 2013-14 related to the curtailment of severance benefit plans for unionized employees, investments in OSFI's Information and Technology Renewal Program (ITR), which was completed during 2014-15, and the settlement of a pay equity claim dating from 1987 to 1997 that was previously provisioned for but paid out in 2013-14. Thereafter, expenditures remain relatively stable with the exception of non-recurring costs in 2015-16 for office space renovations.

Alignment of Spending With the Whole-of-Government Framework

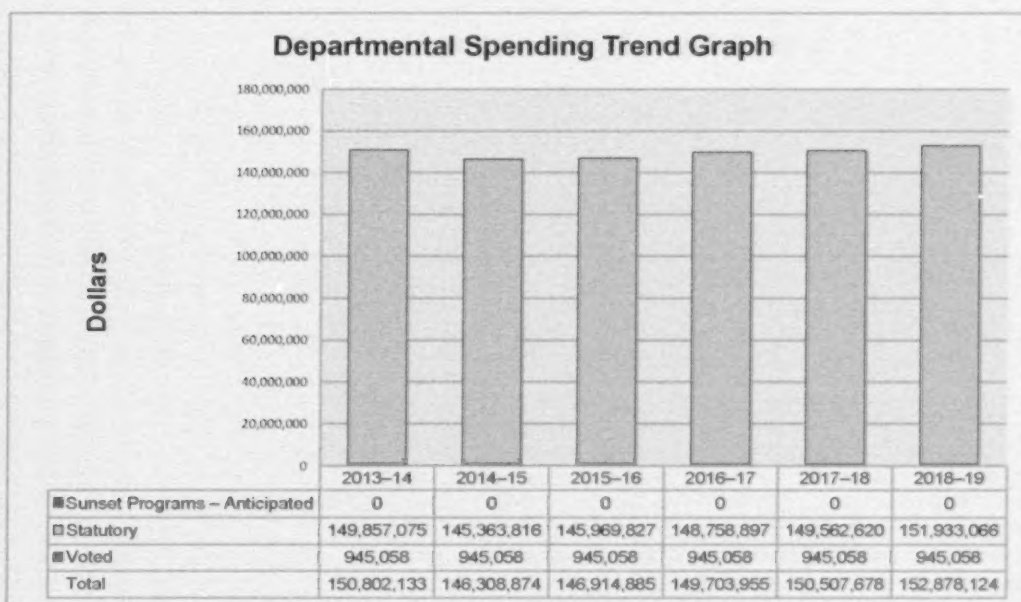
Alignment of 2016-17 Planned Spending With the Whole-of-Government Frameworkⁱⁱⁱ (dollars)

Strategic Outcome	Program	Spending Area	Government of Canada Outcome	2016-17 Planned Spending
1. A safe and sound Canadian financial system.	1.1 Regulation and Supervision of Federally Regulated Financial Institutions	Economic Affairs	Strong economic growth	80,602,151
	1.2 Regulation and Supervision of Federally Regulated Private Pension Plans	Economic Affairs	Income security and employment for Canadians	4,178,274
2. A financially sound and sustainable Canadian public retirement income system.	2.1 Actuarial Valuation and Advisory Services	Economic Affairs	Income security and employment for Canadians	5,710,390

Total Spending by Spending Area (dollars)

Spending Area	Total Planned Spending
Economic Affairs	90,490,815
Social Affairs	0
International Affairs	0
Government Affairs	0

Departmental Spending Trend



The graph above represents OSFI's actual and planned spending from 2013-14 to 2018-19. Statutory expenditures, which are recovered from spendable revenue⁶, represent 99.4% of total expenditures. The remaining 0.6% of OSFI's spending is funded from a Parliamentary appropriation for actuarial services related to federal public sector pension and benefit plans.

OSFI's total spending decreased by 3.0% in 2014-15 due to non-recurring internal services costs in 2013-14 as noted in the Planned Expenditures section.

Over the planning years, OSFI's total spending and staff complement are expected to remain relatively stable.⁷

Estimates by Vote

For information on OSFI's organizational appropriations, consult the *2016-17 Main Estimates* on the Treasury Board of Canada Secretariat website.^{iv}

⁶ OSFI is funded mainly through asset-based, premium-based or membership-based assessments on the financial institutions and private pension plans that OSFI regulates and supervises, cost-recovered services, and a user-pay program for selected services.

⁷ The cost of new enabling technology to support OSFI's updated supervisory methodology and processes has not yet been determined and will be reflected in future budgetary estimates.

Section II: Analysis of Programs by Strategic Outcome

Strategic Outcome One: A safe and sound Canadian financial system.

Program 1.1: Regulation and Supervision of Federally Regulated Financial Institutions

Description

This program involves regulating and supervising federally regulated financial institutions (FRFI) to determine whether they are in sound financial condition and are complying with their governing laws and supervisory requirements; monitoring the financial and economic environment to identify issues that may impact these institutions negatively; and intervening in a timely manner to protect depositors and policyholders from undue loss, while recognizing that management and boards of directors are ultimately responsible, and that financial institutions can fail.

Costs for this program are recovered through base assessments and user fees and charges paid by the federally regulated financial institutions covered under the *Bank Act*, *Trust and Loan Companies Act*, *Insurance Companies Act*, *Green Shield Canada Act*, *Protection of Residential Mortgage or Hypothecary Insurance Act* and *Cooperative Credit Associations Act*. The Office of the Superintendent of Financial Institutions also receives revenues for cost-recovered services to provinces, for which it provides supervision of their institutions on a fee for service basis.

Budgetary Financial Resources (dollars)

2016-17 Main Estimates	2016-17 Planned Spending	2017-18 Planned Spending	2018-19 Planned Spending
80,602,151	80,602,151	82,220,312	83,956,072

Human Resources (Full-Time Equivalents [FTEs])

2016-17	2017-18	2018-19
433	432	433

Performance Measurement

Expected Results	Performance Indicators	Targets	Date to be Achieved
Depositors and policyholders are protected while recognizing that all failures cannot be	Percentage of estimated recoveries on failed institutions (percentage recovered per dollar of claim).	90%	March 31, 2017

Expected Results	Performance Indicators	Targets	Date to be Achieved
prevented.	Percentage of institutions with a Composite Risk Rating of low or moderate.	80%	March 31, 2017
OSFI's regulatory and supervisory framework is consistent with international standards.	Percentage of assessment programs which deem OSFI's regulatory and supervisory framework as being consistent with international standards.	100%	March 31, 2017

Planning Highlights

As outlined in the Organizational Priorities section of this report, the overall focus of the Regulation and Supervision of Federally Regulated Financial Institutions program will be on tightening the link between efforts at OSFI and results among the FRFIs, strengthening our ability to anticipate and respond to severe but plausible risks to the Canadian financial system and on reinforcing our principles-based guidance and supervision. In doing so, OSFI will continue to ensure that an effective supervisory and regulatory framework is in place, focused on protecting the rights and interests of depositors and policyholders. It also will continue to ensure that an effective regulatory framework influences international guidance, standards and reforms with a view to implementing them in the context of what is best for Canada.

Sub-Program 1.1.1: Risk Assessment and Intervention

Description

OSFI regulates and supervises financial institutions to determine whether they are in sound financial condition and are complying with their governing statute law and supervisory requirements. This program involves the administration and application of an effective supervisory process to assess the safety and soundness of regulated financial institutions by evaluating an institution's risk profile, financial condition, risk management processes, and compliance with applicable laws and regulations. This program includes activities to monitor and supervise financial institutions; monitor the financial and economic environment to identify emerging issues; and intervene on a timely basis when a financial institution's business practices may be imprudent or unsafe, by exercising supervisory powers to take, or require management or boards to take, necessary corrective measures to protect depositors and policy holders.

Budgetary Financial Resources (dollars)

2016-17 Planned Spending	2017-18 Planned Spending	2018-19 Planned Spending
57,281,264	58,373,986	59,579,964

Human Resources (FTEs)

2016-17	2017-18	2018-19
312	311	312

Performance Measurement

Expected Results	Performance Indicators	Targets	Date to be Achieved
Issues in institutions are identified and acted on at an early stage.	Percentage of (financial institutions) supervisory rating increases ^a that are two or more levels within any rolling three month period.	20%	March 31, 2017
	Percentage of supervisory letters that are issued within established standards.	80%	March 31, 2017

Planning Highlights

OSFI's Risk Assessment and Intervention sub-program will focus on implementing updated supervisory activities and enhancing supervisory processes with enabling technology. Through

^a Supervisory ratings are aligned with the risk profile of institutions and range from 0 (normal) to 4 (non-viable/insolvency imminent). Significant increases in ratings, as opposed to progressive ones, can signal issues with the timeliness or effectiveness of OSFI supervisory efforts.

the development and implementation of a revised supervisory training framework, supervisory expertise will be strengthened. OSFI will also articulate its internal tolerance to guide its level of regulatory and supervisory intensity.

In addition, OSFI will complete the implementation of its liquidity framework and guidance to ensure a consistent assessment approach across FRFIs. OSFI will continue to monitor and follow up on FRFIs responses to OSFI cyber security self-assessment and follow up on Distributed Denial of Service preparedness, cyber security, information technology governance and risk management reviews. OSFI will also participate in recovery and resolution planning activities for DSIBs, non-conglomerate banks and life conglomerates.

OSFI will strive to enhance its regulatory policies and oversight practices by increasing its knowledge of the market-based finance sector in Canada and technological advancements in the financial industry, including how these both interconnect with FRFIs.

These efforts will continue to contribute to reaching or exceeding established performance targets.

Sub-Program 1.1.2: Regulation and Guidance

Description

This program involves advancing and administering a regulatory framework of rules and guidance that promotes the adoption by regulated financial institutions of sound risk management practices, policies and procedures designed to plan, direct and control the impact on the institution of risks arising from its operations.

This program includes the issuance of various forms of guidance, which may include guidelines and advisories as well as input into federal legislation and regulations affecting financial institutions, contributions to accounting, auditing and actuarial standards, and involvement in a number of international regulatory activities.

Budgetary Financial Resources (dollars)

2016-17 Planned Spending	2017-18 Planned Spending	2018-19 Planned Spending
16,089,264	16,444,135	16,795,526

Human Resources (FTEs)

2016-17	2017-18	2018-19
91	91	91

Performance Measurement

Expected Results	Performance Indicators	Targets	Date to be Achieved
Stakeholders are of the opinion that guidance is updated in a timely manner in response to market changes and/or industry suggestions.	Percentage of industry stakeholders who rate OSFI as good or very good at responding in a timely manner to market changes or to industry suggestions that guidance need updating.	75%	March 31, 2017
OSFI's expectations are communicated effectively in guidance to stakeholders.	Percentage of industry stakeholders that rate OSFI's guidance as somewhat or very effectively indicating OSFI's expectations.	75%	March 31, 2017
Industry is consulted on the development of guidance.	Percentage of industry stakeholders that rate OSFI as good or very good at consulting with industry on the development of guidance.	70%	March 31, 2017

Priorities: *Prudential Oversight*

The focus of OSFI's Regulation and Guidance sub-program continues to be on ensuring that OSFI's regulatory framework remains effective and responsive by making appropriate adjustments to align with international and domestic developments.

In the area of capital adequacy for insurance companies, OSFI will continue to work on a new capital regime for insurers that considers the use of economic capital models and the impacts of International Financial Reporting Standards changes. OSFI will also be developing a more risk-based capital framework for mortgage default insurance.

OSFI will undertake several initiatives related to capital adequacy for deposit taking institutions such as amending capital rules to reflect more risk sensitivity to uncertain housing collateral valuations, continuing work on implementation of Basel III standards for capital and liquidity, and finalising the stand alone capital framework and incorporating expectations into the supervisory review process. Given there are risks inherent in the use of capital models, OSFI will be enhancing the monitoring of new capital models and/or model modifications and will be finalising and implementing model risk guidance.

In other areas such as asset encumbrance, large exposures and participating insurance, OSFI will be assessing current practice within the industry, developing policy proposals and updating guidance as necessary to address associated risks.

At the international level, OSFI will continue to actively participate in the development of global capital standards for banks and for insurers and in Foreign Regulatory Consistency Assessment Programmes to establish that liquidity rules are consistently applied in other jurisdictions.

OSFI is also cognizant of the fact that the FRI's it regulates vary widely in size, complexity and business risk. As such, OSFI will continue to pursue a risk based approach that is sensitive to the size and complexity of smaller institutions. Where appropriate, OSFI's published guidance and its supervisory practices will be implemented in a manner that reflects the reality of smaller institutions.

These efforts will contribute to reaching or exceeding established performance targets.

Sub-Program 1.1.3: Approvals and Precedents

Description

Federally regulated financial institutions are required to seek regulatory approval for certain types of transactions. This program involves evaluating and processing applications for regulatory consent, establishing positions on the interpretation and application of the federal financial institutions' legislation, regulations and guidance, identifying precedential transactions that may raise policy or precedent-setting issues, and developing recommendations that recognize the need to allow institutions to compete effectively and take reasonable risk.

Key/Supporting Financial Resources (dollars)

2014-17 Planned Spending	2017-18 Planned Spending	2018-19 Planned Spending
\$ 231,000	\$ 405,000	\$ 278,000

Human Resources (FTEs)

2014-17	2017-18	2018-19
31	31	31

Performance Measurement

Expected Results	Performance Indicators	Targets	Date to be Achieved
Decisions on regulatory approvals are transparent and timely	Percentage of industry stakeholders that understand somewhat to very well the basis upon which OSFI makes its decisions as part of the approval process	80%	March 31, 2017
	Percentage of completed applications for FI regulatory approvals that are processed within established standards	80%	March 31, 2017

Planning Highlights

The focus of OSFI's Approvals and Precedents sub-program will be on small bank business models, as OSFI reviews applications to establish new FIFIs (i.e. "new entry"). There continues to be a high degree of interest in new entry, including the regime for federal credit unions that came into force in December 2012.

Over the planning period, the Approvals and Precedents sub-program will continue to monitor the roll-out of recent new entry process changes, to determine if further adjustments, including updated guidance, may be required.

Program 1.2: Regulation and Supervision of Federally Regulated Private Pension Plans

Description

This program involves regulating and supervising federally regulated private pension plans to determine whether they are meeting minimum funding requirements and are complying with their governing laws and supervisory requirements. This program provides risk assessments of pension plans covering employees in federally regulated areas of employment. It ensures timely and effective intervention and feedback to protect the interests of plan members and beneficiaries, while recognizing that plan administrators are ultimately responsible and that plans can fail to pay the expected benefits. This program also provides a balanced relevant regulatory framework and a prudentially effective and responsive approvals process.

This program incorporates activities pertaining to risk assessment and intervention, regulation and guidance, and approvals and precedents related to federally regulated private pension plans under the *Pension Benefits Standards Act, 1985* and the *Pooled Registered Pension Plans Act*. The costs for this program are recovered from pension plan fees based on the number of members in each federally regulated pension plan.

Budgetary Financial Resources (dollars)

2016-17 Main Estimates	2016-17 Planned Spending	2017-18 Planned Spending	2018-19 Planned Spending
4,178,274	4,178,274	4,259,335	4,344,190

Human Resources (Full-Time Equivalents [FTEs])

2016-17	2017-18	2018-19
26	26	26

Performance Measurement

Expected Results	Performance Indicators	Targets	Date to be Achieved
Issues in plans are identified and acted on at an early stage.	Percentage of (pension plan) supervisory rating increases ^a that are two or more levels within any rolling three month period.	20%	March 31, 2017
OSFI is perceived as being effective in monitoring and supervising pension plans.	Percentage of industry stakeholders that rate OSFI as "somewhat effective" or "very	75%	March 31, 2017

^a Supervisory ratings are aligned with the risk profile of pension plans and range from 0 (normal) to 4 (non-viable/insolvency imminent). Significant increases in ratings, as opposed to progressive ones, can signal issues with the timeliness or effectiveness of OSFI supervisory efforts.

	effective" in monitoring and supervising their pension plan(s).		
OSFI's expectations are communicated effectively in guidance to stakeholders.	Percentage of industry stakeholders that rate OSFI's guidance as "somewhat effective" or "very effective" in providing an indication of OSFI's expectations.	75%	March 31, 2017

Planning Highlights

The Regulation and Supervision of Federally Regulated Private Pension Plans program will focus on continuing to support the implementation of Pooled Registered Pension Plans through the development of appropriate supervisory approaches and external guidance as well as through cooperation with provincial pension authorities. OSFI will also continue to review and adjust supervisory approaches applicable to defined contribution pension plans, as appropriate.

These efforts will continue to contribute to reaching or exceeding established performance targets.

Strategic Outcome Two: A financially sound and sustainable Canadian public retirement income system

Program 2.1: Actuarial Valuation and Advisory Services

Description

The federal government and the provinces, through the Canada Pension Plan (CPP), public sector pension arrangements and other social programs have made commitments to Canadians and have taken on emanated responsibility for the financing of these commitments. Some are long-term and it is important that decision-makers, Parliamentarians and the public understand these and the inherent risks. This program plays a vital and independent role in this process. It provides checks and balances on the future costs of the different pension plans under its responsibilities.

This program provides a range of actuarial services, under legislation, to the CPP stakeholders and several federal government departments. It conducts statutory actuarial valuations of the CPP, Old Age Security (OAS), Employment Insurance (EI) and Canada Student Loans programs, and pension and benefits plans covering the Federal Public Service, the Canadian Forces, the Royal Canadian Mounted Police (RCMP), federally appointed judges, and Members of Parliament.

The Office of the Chief Actuary (OCA) is funded by fees charged for its actuarial valuation and advisory services and by an annual parliamentary appropriation.

Budgetary Financial Resources (dollars)

2016-17 Main Estimates	2016-17 Planned Spending	2017-18 Planned Spending	2018-19 Planned Spending
5,710,390	5,710,390	5,778,758	5,967,554

Human Resources (Full-Time Equivalents [FTEs])

2016-17	2017-18	2018-19
37	37	37

Performance Measurement

Expected Results	Performance Indicators	Targets	Date to be Achieved
Stewards of Canada's public retirement income system receive accurate, high quality and timely professional actuarial services and advice.	Percentage of members of a panel of three Canadian peer actuaries selected by an international independent body that attest the OCA provides accurate, high quality and professional services and advice.	100% agreement among all three members of peer review panel	March 31, 2017
	Use of the OCA's work by the Office of the Auditor General (OAG) as an independent evidence for the Public Accounts of Canada.	Confirmation from the OAG	March 31, 2017
	Percentage of reports that are provided to the Minister for tabling in Parliament as per statutory deadlines.	100%	March 31, 2017

Planning Highlights

As part of the OCA's commitment to provide checks and balances on the future costs of the different pension plans and social programs within its scope of responsibility, the OCA will prepare several statutory reports in 2016-17.

Other projects planned include the publication of several actuarial studies and the launch of the independent peer review of the most recent Actuarial Report on the Canada Pension Plan. The OCA will also continue to provide expert actuarial advice and services to provincial Ministries of Finance and federal government departments such as the Treasury Board Secretariat, Employment and Social Development Canada, the Department of Finance, the Department of Justice, Veterans Affairs Canada, and Public Services and Procurement Canada.

In conducting its work, the OCA will strive to meet or exceed its accuracy, quality, and timeliness performance targets.

Sub-Program 2.1.1: Services to the Canada Pension Plan and Old Age Security Program

Description

This program involves the preparation of statutory actuarial valuations and providing expert actuarial advice and services on the Canada Pension Plan (CPP) and Old Age Security (OAS) Program. These valuations estimate the financial status of these plans and programs as required by legislation. This program estimates long-term expenditures, revenues and current liabilities of the Canada Pension Plan and estimates long-term future expenditures for Old Age Security programs. Pursuant to the Canada Pension Plan and the *Public Pensions Reporting Act*, the Office of the Chief Actuary prepares statutory triennial actuarial reports on the financial status of these programs, as required by legislation.

Budgetary Financial Resources (dollars)

2016-17 Planned Spending	2017-18 Planned Spending	2018-19 Planned Spending
1,452,041	1,472,417	1,482,049

Human Resources (FTEs)

2016-17	2017-18	2018-19
13	13	13

Performance Measurement

Expected Results	Performance Indicators	Targets	Date to be Achieved
Accurate, high quality and timely actuarial valuations are provided to inform Canada Pension Plan (CPP) and Old Age Security (OAS) stakeholders and Canadians of the current and projected financial status of the Plan and Program.	Percentage of members of a panel of Canadian peer actuaries selected by an international independent body that deem the CPP actuarial valuation accurate and high quality.	100%	March 31, 2017
	Percentage of recommendations from the previous peer review report and within the scope and influence of the OCA that are implemented before the next peer review.	80%	March 31, 2017
	Percentage of reports on CPP and OAS that are provided to the Minister for tabling in Parliament as per statutory deadlines.	100%	March 31, 2017

Planning Highlights

In 2016-17, the OCA will be submitting the 27th Actuarial Report on the Canada Pension Plan (CPP) as at December 31, 2015 to the Minister of Finance for tabling in Parliament. This triennial report projects CPP revenues and expenditures over a 75-year period in order to assess the future impact of historical and projected demographic and economic trends. The CPP is one of the cornerstones of Canada's retirement income system and is financed by contribution revenues and investment returns. Work on the 27th Report includes addressing and implementing some of the recommendations resulting from the CPP triennial review conducted by the federal, provincial and territorial ministers of Finance in 2014-15, the independent peer review performed in 2013-14 and taking into account valuable information derived from the Seminar on Demographic, Economic and Investment Perspectives for Canada that took place in 2015-16.

The OCA will also begin work on the 13th Actuarial Report on the Old Age Security (OAS) Program as at December 31, 2015. The OAS Program is another important pillar of Canada's retirement income system and is financed from Government of Canada general tax revenues. The purpose of this triennial report is to inform the general public of the current and projected financial status of the OAS Program. Many of the assumptions and methodologies developed for the Actuarial Report on the CPP are used in the Actuarial Report on the OAS Program.

Sub-Program 2.1.2: Services to Public Sector Pension and Insurance Programs

Description

This program involves the preparation of statutory actuarial valuations of various federal public sector employee pension and insurance plans. These valuations estimate the financial status of these plans as required by legislation. Pursuant to the *Public Pensions Reporting Act*, this program involves preparing statutory triennial actuarial reports on the financial status of federal public sector employee pension and insurance plans covering the federal Public Service, the Canadian Forces, the Royal Canadian Mounted Police, the federally appointed judges and Members of Parliament. This program provides actuarial information to decision makers, parliamentarians and the public, thereby increasing transparency and confidence in Canada's retirement income system. It serves the public interest by ensuring good governance of the plans, appropriate disclosure in the actuarial reports and contributing to the overall accountability of the plans sponsor to various stakeholders. This program also involves the provision of sound actuarial advice that assists different government departments in the design, funding and administration of these plans. As part of this program, the Chief Actuary submits the actuarial reports to the President of Treasury Board.

Budgetary Financial Resources (dollars)

2016-17 Planned Spending	2017-18 Planned Spending	2018-19 Planned Spending
3,048,119	3,077,958	3,238,696

Human Resources (FTEs)

2016-17	2017-18	2018-19
19	19	19

Performance Measurement

Expected Results	Performance Indicators	Targets	Date to be Achieved
Accurate, high quality and timely actuarial valuation reports on Public Pension and Insurance Plans are provided to departments to assist with design, funding and administration of the plans.	Percentage of Public Pension and Insurance Plans valuations that are deemed accurate and high quality by an independent actuarial firm.	100%	March 31, 2017
	Percentage of reports on actuarial valuation of Public Pensions and Insurance Plans that are provided to the President of Treasury Board for tabling in Parliament as per statutory deadlines.	100%	March 31, 2017

Planning Highlights

In 2016-17, the OCA will prepare the Actuarial Reports on the Pension Plan for the Members of Parliament as at 31 March 2016, the Pension Plan for the Federally Appointed Judges as at 31 March 2016, the Benefit Plan financed through the Royal Canadian Mounted Police (RCMP) (dependants) Pension Fund as at 31 March 2016, the Pension Plan for the Canadian Forces (Regular and Reserve Forces) as at 31 March 2016, and the Regular Force Death Benefit Account as at 31 March 2016. The OCA has an 18 month timeframe from the valuation date to submit these actuarial reports to the President of the Treasury Board for tabling in Parliament.

Since this sub-program also involves the provision of sound actuarial advice, the OCA will assist different government departments such as the Treasury Board Secretariat, Veterans Affairs Canada, National Defense, RCMP, the Department of Justice, and Public Services and Procurement Canada in the design, funding and administration of the plans for which they are responsible.

Sub-Program 2.1.3: Services to the Canada Student Loans and Employment Insurance Programs

Description

Pursuant to the *Canada Student Financial Assistance Act*, the *Employment Insurance Act*, and *Department of Employment and Social Development Act* this sub-program involves preparing statutory actuarial valuations of the Canada Student Loans Program (CSLP) and performing the statutory actuarial forecasts and estimates necessary to set the Employment Insurance premium rate under Section 66 of the *Employment Insurance Act*.

Budgetary Financial Resources (dollars)

2016-17 Planned Spending	2017-18 Planned Spending	2018-19 Planned Spending
1,210,230	1,228,383	1,246,809

Human Resources (FTEs)

2016-17	2017-18	2018-19
5	5	5

Performance Measurement

Expected Results	Performance Indicators	Targets	Date to be Achieved
Accurate, high quality and timely actuarial valuation reports on Canada Student Loans Program (CSLP) and Employment Insurance (EI) are provided to inform stakeholders and Canadians of the future costs and rates for these programs.	Percentage of reports on actuarial valuation of the CSLP that are used by the Office of the Auditor General (OAG) as an external audit evidence for the Public Accounts of Canada.	100%	March 31, 2017
	Percentage of actuarial reports on CSLP and EI programs that are submitted to the Minister/Employment Insurance Commissioner for tabling in Parliament as per statutory deadlines.	100%	March 31, 2017

Planning Highlights

This sub-program involves the conduct of statutory actuarial valuations of various Government of Canada social programs. The GCA will submit, to the appropriate authority, the Inter-valuation Report on the Canada Student Loans Program as at July 31, 2015, the 2017 Employment Insurance Premium Rate Report, the Actuarial Report on the Government Annuities as at March 31, 2016, and the Actuarial Report on the Civil Service Insurance Program as at March 31, 2016.

Internal Services

Description

Internal Services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. Internal services include only those activities and resources that apply across an organization, and not those provided to a specific program. The groups of activities are Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Services; Materiel Services; and Acquisition Services.

Budgetary Financial Resources (dollars)

2016-17 Main Estimates	2016-17 Planned Spending	2017-18 Planned Spending	2018-19 Planned Spending
59,213,141	59,213,141	58,249,273	58,610,308

Human Resources (FTEs)

2016-17	2017-18	2018-19
188	187	187

Planning Highlights

Within Internal Services functions, a continued emphasis will be placed on prudent fiscal management and on monitoring spending in line with OSFI's responsible spending practices. In support of this focus, OSFI will develop a multi-year Human Capital Strategy, identifying critical priorities for HR policies, programs and practices to establish a comprehensive HR framework and support the transformation of the organization to meet its mandate.

OSFI will plan for and support the transition to new or updated corporate systems, including those related to the Government of Canada's (GoC) shared services initiatives. The implementation of planned systems and organizational changes will be supported with timely and effective change management practices. In addition, OSFI will continue the implementation of a new Enterprise Information Management program to enhance the management and protection of OSFI's information assets and comply with applicable legislation and GoC policies and directives.

OSFI will continue to advance the governance of data provided by FRFIs and private pension plans and data management processes to ensure its accurate and timely analysis, while minimizing burden on filers and OSFI. Furthermore, OSFI will continue the implementation of a multi-year strategy to enhance cyber security controls and governance processes to ensure that

OSFI remains proactive in protecting the information and IT infrastructure assets in its possession.

Section III: Supplementary Information

Future-Oriented Condensed Statement of Operations

The future-oriented condensed statement of operations provides a general overview of OSFI's operations. The forecast of financial information on expenses and revenues is prepared on an accrual basis of accounting to strengthen accountability and to improve transparency and financial management.

Because the future-oriented condensed statement of operations is prepared on an accrual basis, and the forecast and planned spending amounts presented in other sections of the Report on Plans and Priorities are prepared on an expenditure basis in accordance with the Treasury Board Secretariat's guidelines, amounts differ.

Further information, including a reconciliation of the net cost of operations to the requested authorities, can be found in the more detailed *Future-Oriented Statement of Operations*⁸ and associated notes.

Future-Oriented Condensed Statement of Operations For the Year Ended March 31, 2016 (dollars)

Financial Information	2015-16 Forecast Results	2016-17 Planned Results	Difference (2016-17 Planned Results minus 2015-16 Forecast Results)
Total expenses	145 618 379	113 500 000	€ 321 821
Total revenues	145 673 321	112 554 942	€ 321 821
Net cost of operations before government funding and transfers	\$45 058	\$45 058	0

OSFI matches its revenues to its costs. The difference between the figures above and the planned spending amounts provided in other sections of the RPP is due to a different basis of accounting and relates to non-respendable revenues, amortization of capital and intangible assets, and severance pay liability adjustments.

Supplementary Information Tables

The supplementary information tables listed in the 2016-17 Report on Plans and Priorities are available on [OPII's website](http://OPII.ca/website)¹⁰.

- Departmental Sustainable Development Strategy, and
- Upcoming Internal Audit Over the Next Three Fiscal Years

Tax Expenditures and Evaluations

The tax system can be used to achieve public policy objectives through the application of special measures such as low tax rates, exemptions, deductions, deferrals and credits. The Department of Finance publishes cost estimates and projections for these measures annually in the *Tax Expenditures and Evaluations*¹¹ publication. The tax measures presented in the *Tax Expenditures and Evaluations* publication are the responsibility of the Minister of Finance.

Section IV: Organizational Contact Information

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Ottawa, Ontario K1A 0G2

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Appendix: Definitions

Appropriation: Any authority of Parliament to pay money out of the Consolidated Revenue Fund.

budgetary expenditures: Operating and capital expenditures; transfer payments to other levels of government, organizations or individuals; and payments to Crown corporations.

Departmental Performance Report: Reports on an appropriated organization's actual accomplishments against the plans, priorities and expected results set out in the corresponding Reports on Plans and Priorities. These reports are tabled in Parliament in the fall.

full-time equivalent: A measure of the extent to which an employee represents a full person-year charge against a departmental budget. Full-time equivalents are calculated as a ratio of assigned hours of work to scheduled hours of work. Scheduled hours of work are set out in collective agreements.

Government of Canada outcomes: A set of 16 high-level objectives defined for the government as a whole, grouped in four spending areas: economic affairs, social affairs, international affairs and government affairs.

Management, Resources and Results Structure: A comprehensive framework that consists of an organization's inventory of programs, resources, results, performance indicators and governance information. Programs and results are depicted in their hierarchical relationship to each other and to the Strategic Outcome(s) to which they contribute. The Management, Resources and Results Structure is developed from the Program Alignment Architecture.

non-budgetary expenditures: Net outlays and receipts related to loans, investments and advances, which change the composition of the financial assets of the Government of Canada.

performance: What an organization did with its resources to achieve its results, how well those results compare to what the organization intended to achieve, and how well lessons learned have been identified.

performance indicator: A qualitative or quantitative means of measuring an output or outcome, with the intention of gauging the performance of an organization, program, policy or initiative respecting expected results.

performance reporting: The process of communicating evidence-based performance information. Performance reporting supports decision making, accountability and transparency.

planned spending: For Reports on Plans and Priorities (RPPs) and Departmental Performance Reports (DPRs), planned spending refers to those amounts that receive Treasury Board approval by February 1. Therefore, planned spending may include amounts incremental to planned expenditures presented in the Main Estimates.

A department is expected to be aware of the authorities that it has sought and received. The determination of planned spending is a departmental responsibility, and departments must be able to defend the expenditure and accrual numbers presented in their RPPs and DPRs.

plans: The articulation of strategic choices, which provides information on how an organization intends to achieve its priorities and associated results. Generally a plan will explain the logic behind the strategies chosen and tend to focus on actions that lead up to the expected result.

priorities: Plans or projects that an organization has chosen to focus and report on during the planning period. Priorities represent the things that are most important or what must be done first to support the achievement of the desired Strategic Outcome(s).

program: A group of related resource inputs and activities that are managed to meet specific needs and to achieve intended results and that are treated as a budgetary unit.

Program Alignment Architecture: A structured inventory of an organization's programs depicting the hierarchical relationship between programs and the Strategic Outcome(s) to which they contribute.

Report on Plans and Priorities: Provides information on the plans and expected performance of appropriated organizations over a three-year period. These reports are tabled in Parliament each spring.

results: An external consequence attributed, in part, to an organization, policy, program or initiative. Results are not within the control of a single organization, policy, program or initiative; instead they are within the area of the organization's influence.

statutory expenditures: Expenditures that Parliament has approved through legislation other than appropriation acts. The legislation sets out the purpose of the expenditures and the terms and conditions under which they may be made.

Strategic Outcome: A long-term and enduring benefit to Canadians that is linked to the organization's mandate, vision and core functions.

sunset program: A time-limited program that does not have an ongoing funding and policy authority. When the program is set to expire, a decision must be made whether to continue the program. In the case of a renewal, the decision specifies the scope, funding level and duration.

target: A measurable performance or success level that an organization, program or initiative plans to achieve within a specified time period. Targets can be either quantitative or qualitative.

voted expenditures: Expenditures that Parliament approves annually through an Appropriation Act. The Vote wording becomes the governing conditions under which these expenditures may be made.

whole-of-government framework: Maps the financial contributions of federal organizations receiving appropriations by aligning their Programs to a set of 16 government-wide, high-level outcome areas, grouped under four spending areas.



Endnotes

- i. Office of the Superintendent of Financial Institutions Act, <http://laws-lois.justice.gc.ca/eng/acts/O-2,7/>
- ii. Prime Minister of Canada's website, <http://pm.gc.ca/eng/ministerial-mandate-letters>
- iii. Whole-of-government framework, <http://www.tbs-sct.gc.ca/ppg-cpr/frame-cadre-eng.aspx>
- iv. 2016-17 Main Estimates, <http://www.tbs-sct.gc.ca/cms-sgd/esp-pbc/mc-bpd-eng.asp>
- v. Future-Oriented Financial Statements, <http://www.osfi-bsif.gc.ca/Eng/osfi-bsif/rep-rap/rpp/Pages/default.aspx>
- vi. OSFI's Report on Plans and Priorities, <http://www.osfi-bsif.gc.ca/Eng/osfi-bsif/rep-rap/rpp/Pages/default.aspx>
- vii. Government of Canada Tax Expenditures, <http://www.fin.gc.ca/purl/taxexp-eng.asp>

Upcoming Internal Audits Over the Next Three Fiscal Years

A. Internal Audits

Title of internal audit	Internal audit type	Status	Expected completion date
<u>Supervision Support Group – Credit Risk Division</u>	Supervisory Support	Completed	June 2015
<u>Office of the Chief Actuary: Information Management and Privacy (changed scope from IT Models and Data Management)</u>	Information Management	Completed	June 2015
Insurance Supervision Sector: Property & Casualty Group – Mortgage Insurance	Risk Assessment & Intervention	In progress	Q4 2015/16
Corporate Services Sector: Regulatory (formerly Federally Regulated Financial Institution) Data Management	Information Management	In progress	Q4 2015/16
Corporate Services Sector: Procurement & Contracting	Controls Assurance	2016-2017 Planned	Q4 2016/17
Regulation Sector: Legislation and Policy Initiatives	Rule-Making	2016-2017 Planned	Q4 2016/17
Corporate Services Sector: Information Management / Information Technology	Information Management	2016-2017 Planned	Q4 2016/17
Corporate Services Sector: Internal Controls over Financial Planning	Controls Assessment	2016-2017 Planned	Q4 2016/17
Deposit-taking Supervision Sector: Deposit-Taking Group Conglomerates	Risk Assessment & Intervention	2017-2018 Planned	Q4 2017/18
Insurance Supervision Sector: Life Insurance Group – Non Conglomerates	Risk Assessment & Intervention	2017-2018 Planned	Q4 2017/18
Corporate Services: Enterprise Risk Management	Risk Management	2017-2018 Planned	Q4 2017/18
Corporate Services: Human Resources System Review	Governance Practices	2017-2018 Planned	Q4 2017/18
Corporate Services: Outcomes Management	Program Effectiveness	2017-2018 Planned	Q4 2017/18

Audits identified as “planned” may be subject to change due to shifting of priorities based on the annual evaluation of risk elements. OSFI’s Internal Audit group conducts regular internal audits. The Internal Audit Plan is recommended for approval one year at a time by the Audit Committee

and approved by the Superintendent. The 2015-16 to 2017-18 Internal Audit Plan was approved in Q3 of 2014-15.

Departmental Sustainable Development Strategy

1. Overview of the Federal Government's Approach to Sustainable Development

The Federal Sustainable Development Strategy (FSDS) 2013–16 presents the Government of Canada's sustainable development activities, as required by the *Federal Sustainable Development Act*. In keeping with the objectives of the Act to make environmental decision making more transparent and accountable to Parliament, the Office of the Superintendent of Financial Institutions (OSFI) supports the implementation of the FSDS through the activities in this supplementary information table.

Although OSFI is not bound by the *Federal Sustainable Development Act* and is not required to develop a departmental sustainable development strategy, OSFI adheres to the principles of the FSDS.

2. Theme IV: Targets and Implementation Strategies

Goal 7: Waste and Asset Management

Target 7.2: Green Procurement

As of April 1, 2014, the Government of Canada will continue to take action to embed environmental considerations into public procurement, in accordance with the federal *Policy on Green Procurement*.

Scope and Context

OSFI procures over \$20 million in goods and services per year.

Performance Measurement

Expected result

Environmentally responsible acquisition, use and disposal of goods and services.

Performance indicator	Targeted performance level
Departmental approach to further the implementation of the <i>Policy on Green Procurement</i> in place as of April 1, 2014.	Yes, completed on February 2, 2014
Number and percentage of procurement and/or materiel management specialists who completed the Canada School of Public Service Green Procurement course (C215) or equivalent, in fiscal year 2016–17.	9 100%

Number and percentage of managers and functional heads of procurement and materiel whose performance evaluation includes support and contribution toward green procurement, in fiscal year 2016-17.	2 100%
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Departmental green procurement target

By March 31, 2017, 95% of copy paper and envelope purchases will contain a minimum of 30% recycled content and be certified to a recognized environmental standard to reduce the environmental impact of production.

Performance indicator	Targeted performance level
Dollar value of copy paper and envelope purchases that meet the target objective relative to the total dollar value of all purchases for copy paper and envelopes for the given year.	95%
Annual amount spent on copy paper, commercial printing and envelopes.	\$40,000

Departmental green procurement target

By March 31, 2017, 90% of toner cartridges are recycled at end of life.

Performance indicator	Targeted performance level
Volume of toner cartridges recycled relative to the total volume of all toner cartridges purchased in the year in question.	90%
Annual amount spent on toner cartridges.	\$140,000

Departmental green procurement target

By March 31, 2017, 100% of Bid Solicitation, Contract and Statement of Work will be reviewed using updated templates that include environmental considerations.

Performance indicator	Targeted performance level
Templates have been updated.	Yes (by March 31, 2017)
Percentage of bid solicitation, contract and statement of work reviewed using environmental consideration criteria.	100%

Implementation strategy element or best practice	Targeted performance level
7.2.1.5. Leverage common-use procurement instruments where available and feasible.	Achieved
<i>Best Practice</i>	
7.2.4. Increase awareness of the Policy on Green Procurement among managers.	Achieved

3. Strategic Environmental Assessment

OSFI will continue to ensure that its decision-making process includes consideration of FSDS goals and targets through the Strategic Environmental Assessment (SEA) process. An SEA for policy, plan or program proposals includes an analysis of the impacts of the given proposal on the environment, including on FSDS goals and targets.

Public statements on the results of OSFI's detailed assessment will be made public when an initiative is announced. The purpose of the public statement is to demonstrate that the environmental effects, including the impacts on achieving the FSDS goals and targets, of the approved policy, plan or program have been considered during proposal development and decision making.